BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2006-296-G – ORDER NO. 2006-619

NOVEMBER 2, 2006

IN RE:	Petition of Piedmont Natural Gas Company, Inc. for Authority to Place Certain Asset Retirement Obligations in a Deferred Account.	)))))	ORDER ALLOWING PLACEMENT OF CERTAIN ASSET RETIREMENT OBLIGATIONS IN A DEFERRED ACCOUNT

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Petition of Piedmont Natural Gas Company, Inc. ("Piedmont," "PNG" or "the Company") for authorization to place certain Asset Retirement Obligation ("ARO") costs in a deferred account so that the current regulatory treatment for these costs will not be altered due to Piedmont's adoption of the Financial Accounting Standard Board's ("FASB") Statement No. 143.

In June 2001, the FASB issued Statement 143, *Accounting for Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2002. Statement 143 sets forth the way companies recognize and measure legally enforceable retirement obligations that result from the acquisition, construction, and normal operation of tangible long-lived assets. Due to uncertainty regarding the timing and method of settlement for certain retirement obligations, many companies, including Piedmont, concluded that no asset retirement obligation needed to be recorded for their assets at the time Statement 143 was issued. Subsequently, the FASB issued FASB Interpretation No.

47 ("FIN 47"), to clarify the term "conditional asset retirement obligation." The FASB recognized that "diverse accounting practices have developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement are conditional on a future event."

FIN 47 states that upon initial application, an entity shall recognize: (a) a liability for any existing asset retirement obligation adjusted for cumulative accretion to the date of adoption, (b) an asset retirement cost capitalized as an increase to the carrying amount of the associated long-lived asset, and (c) accumulated depreciation on that capitalized cost. In subsequent years, the asset retirement cost shall be allocated to expense using a systematic and rational method over its useful life.

Piedmont requests Commission approval to place all impacts to its income statement caused by the adoption of FIN 47 in a regulatory deferred account. Those impacts would include a cumulative adjustment as of October 31, 2006, and ongoing expense recognition impacts. PNG submits that its return should not be impacted, either positively or negatively, by the adoption of an accounting standard applicable to all industries in place of a revenue requirement and associated expense methodology that was adopted in Piedmont's last general rate case that has been carried forward in Piedmont's Rate Stabilization Act filings. The creation of the requested deferred accounts will not impact the total expense to be incurred by Piedmont with regard to its AROs or prompt a change in the current approved methodology for the recovery of those costs through Piedmont's approved depreciation rates.

The relief requested by PNG does not involve a change to Piedmont's rates, terms, or conditions of service and, according to Piedmont, is not in conflict with any Commission rule, regulation, or policy.

Piedmont requests (1) that it be authorized to segregate all cost impacts of compliance with FIN 47 into a special deferred account; (2) that the Commission authorize regulatory asset treatment for such costs by approving the recovery thereof subject to a future determination that they have been properly accounted for; and (3) that any issues related to proper amortization or actual recovery of such costs be postponed until a subsequent proceeding before this Commission in which amortization or recovery is sought.

Lastly, PNG requests that any accounting order dealing with this matter be made effective as of October 31, 2006, and thereafter. Piedmont notes that relief similar to that requested herein has been previously granted by this Commission to Carolina Power & Light Company, Duke Energy Corporation, and South Carolina Electric & Gas Corporation by Order No. 2003-283 issued on April 28, 2003, in Docket No. 2003-84-E.

The Office of Regulatory Staff ("ORS") has reviewed the Petition. ORS agrees with PNG's assertions that its return and rates will be neither positively nor negatively impacted by the adoption of this accounting standard. Further, ORS agrees with PNG that regulatory asset treatment of all costs associated with the adoption by PNG of FASB No. 143 is appropriate and that issues related to the actual recovery of such costs should be postponed at this time. ORS believes that the issue of PNG's recovery of costs associated with the implementation of FASB No. 143 would be more properly addressed in a future proceeding before this Commission in which the amortization of such costs or other recovery is sought by Piedmont.

While ORS has no objection to this Commission's approval of the Petition of PNG, ORS does retain the right to audit and object to, or comment on, the impact resulting from the implementation of this change or any subsequent change in the company's return or rates charged to its consumers.

We grant the Petition as filed, effective October 31, 2006. We understand the proposed application by the Company of the accounting standard, and believe that it is reasonable. We do not believe that such application has any effect on the Company's rates or its return.

Accordingly, we authorize the Company to segregate all cost impacts of compliance with FIN 47 into a special deferred account. Further, we authorize regulatory asset treatment for such costs by approving the recovery thereof subject to a future determination that they have been properly accounted for. Also, any issues related to proper amortization or actual recovery of such costs shall be postponed until a subsequent proceeding before the Commission in which such amortization or recovery is sought. We believe that this holding does not impair the ability of ORS to audit and object to, or comment on, the impact resulting from the implementation of this change or any subsequent change in the company's return or rates charged to its consumers.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice Chairman

(SEAL)